



**GOVERNOR DIRK KEMPTHORNE
STATE OF THE STATE ADDRESS
TO A JOINT SESSION OF THE SECOND SESSION OF
THE 56th IDAHO LEGISLATURE
January 7, 2002**

Mr. Speaker. Mr. President. Distinguished members of the Legislature. Distinguished members of the Supreme Court. Fellow Constitutional Officers. Fellow citizens of Idaho.

The past year has brought many changes -- changes that have gripped our nation -- changes that extend to every part of the world and changes that reach into the heart of Idaho.

What is the "heart of Idaho?" Is it our heritage? Is it our beautiful environment? Is it our quality of life?

It is all of these. But, the real heart of Idaho is its people.

Those of us gathered here this evening are united in our passion to serve our state and its great people. In good times or bad, nothing will ever diminish the honor of this privilege.

A year ago, the United States was at peace and our economy was strong. When we were last convened, the challenge facing us was what we would do with the largest budget surplus in Idaho history.

Who would have ever dreamed that one year later, the country would be at war and we would be plunged into a national recession?

On September 11th, we saw the worst of human nature...

But, since then we have seen the best of humanity, and we have recently gazed into the heart of this great state.

Last fall, after the terrorist attacks, we invited our state to commemorate September 11th with a day of prayer.

We took comfort in the 10,000 voices, young and old, of every race and creed, joining together on the steps of the Statehouse singing "God Bless America."

This is the best of our state.

This is the heart of Idaho

And now, thousands of Americans are diligently serving their nation as a part of a war on terrorism. Aren't we fortunate to have President George W. Bush as our strong leader during this war?

Idaho, along with the rest of America, is involved in this war that seeks to preserve our freedoms: freedom from terror, freedom to live in peace, and freedom to pursue our dreams.

On September 11th, we lost two Idahoans: Brady Howell and Ron Vauk.

In the subsequent military action in the Middle East, Idaho also lost Master Sergeant Evander Andrews who had been deployed from Mountain Home Air Force Base...he was the first casualty of Operation Enduring Freedom.

We must not forget what has happened...we cannot ignore the realities of the war; and we cannot deny that there are new threats. No matter how much we might like to go back to the way things were before September 11th, we cannot - our world has changed.

As Thomas Paine, a patriot of the American Revolution wrote, "These are the times that try men's souls."

We are once again facing trying times. In Idaho, we haven't seen an economy like this since the early eighties...and we're not alone.

Forty-three states are experiencing revenue shortfalls, holdbacks, and budget cuts. Some states are even considering tax increases to balance their budgets.

Some have blamed the tax cuts approved last year for Idaho's current economic condition. That is not the case. Our tax cuts are not the problem.

When the legislature finished its work last session, all of the tax relief measures were factored into the bottom line - and the budget was balanced with a \$64 million cushion.

That was before our nation headed into a recession...and Idaho has not been immune.

But let me emphasize that we're in better shape than most states in the union.

And why are we in better shape?

Because we have a business and political climate that produces an environment of economic freedom.

Because we have a tax structure already in place that is conducive to growth.

And because we have hard working and well-educated Idahoans that are prepared to succeed in the workplace.

That's what positions Idaho to be one of the first to recover when the national recession subsides.

I stand firm in my resolve. I want all of the permanent tax relief and incentives that we enacted last year to remain in place.

And when I submit my budget to you on Wednesday, it will not include any tax increases...

It takes guts and fortitude to say that government can do with less.

Any tax structure that is designed to keep government immune from experiencing the very things that the people it serves are experiencing is a flawed tax structure.

Government should not be immune from the effects of a down economy.

Idaho families are cutting back and so is their government.

The reality is the money is not there.

I'm recommending that most agencies reduce their budgets by an average of 10% of the original '02 appropriation, with the exception of public schools, Medicaid, corrections, and veterans. I have worked hard to try and keep these areas at full funding.

Why public education? Because of my commitment to children.

Why Medicaid? Because of our obligation to help those who need it and because of federal requirements.

Why Corrections? Because of the sheer size of the prison population and my dedication to public safety and rehabilitation within the prison.

Why veterans? Because it's the right thing to do.

These are trying times, but even with declining revenues, layoffs, and a dismal national economic forecast...there are bright spots.

- 21,000 more Idahoans are working now than last year at this time.
- Since I took office, we have added nearly 6,000 jobs in rural Idaho.

- And in the last three years Idaho has seen the addition of nearly 3,700 new businesses.
- There's snow in the mountains and our water outlook has improved.
- Most agricultural commodity prices are up from a year ago.
- Interest rates are low.
- Fuel prices have declined.
- Idaho exports are strong and our economy is becoming much more diversified.
- We have had tax cuts at the federal and state levels that have given Idahoans more discretionary income.
- And, just as important as any economic indicator: our country is experiencing a renewed sense of patriotism -- the benefits of which are immeasurable.

And there's more good news on the horizon. With just 32 days until the start of the Olympic Games in Salt Lake City, Idaho plays a key role: with the training, the torch and the tourists.

One in seven Olympic athletes will have trained or participated in pre-Olympic events in Idaho.

The Olympic torch will make its way through nine Idaho communities.

And, during the games, tens of thousands of tourists will experience the Idaho Visitor's Center thanks to the efforts of our 2002 Olympic Committee, ably co-chaired for years by Chip Fisher.

Later this summer, we will have another chance to showcase Idaho as the National Governor's Association brings its annual meeting to Boise. The Governors from all 50 states will be here to address some of this nation's most pressing issues.

And next year, we will be a destination of choice for those who will be commemorating the Lewis and Clark Bicentennial because of our pristine and spectacular portions of this historic trail.

Thousands will be coming to our state and we will be ready.

Three years ago, when you and I became partners as the executive and legislative branches, I said that we needed to focus our efforts so that we can have healthy, well-educated children and enjoy streets safe from drugs and crime. I also said we need to

foster an economic environment where businesses thrive, good jobs are plentiful and our goods and services are sold worldwide.

I said that we needed to realize the blessings of Idaho's outdoors and be progressive stewards in protecting and enhancing that environment. I also said that we needed to affirm this the Generation of the Child.

So, what is the record of what we have accomplished? Did we use those indicators to guide us forward and are we achieving the results that we have hoped for and that our citizens deserve?

And, working with the third branch of government, the judiciary and with all of the departments and agencies and the hundreds of citizens that have served on the boards and commissions and task forces - what can we report to the people of Idaho?

What is the state of the State?

Let me begin by discussing healthy, well-educated children. When we began, we affirmed that while our schools - with our talented and dedicated teachers - were doing a good job, too many of our students were not reading at grade level in the third grade. Too many of our 8th graders were not passing the direct math assessment test. As Dr. Howard would affirm, these are critical points in a youngster's educational growth.

While we have placed great attention and had many discussions on accountability and assessment, they have been elusive. Standards for graduation are still being developed.

We inherited a 20-year lawsuit regarding children's mental health called the Jeff-D lawsuit. Two years ago, we came close to receiving a contempt of court citation from a judge for allegedly not placing sufficient priority on the issue.

In another court of law, a judge is examining whether the state is placing appropriate priority on the issue of school facilities.

We were continually wrestling with how to pay our children's teachers sufficiently and, in particular, how to encourage talented young adults to follow the noble calling and career of being a teacher.

We were struggling with a similar issue in our colleges and universities to attract and retain outstanding instructors.

We were one of the lowest ranked states in immunization rates and insurance coverage for children

So, what has changed?

We now have a reading initiative in place and annually appropriate \$4 million to this critical program. This initiative is energizing our teachers and benefiting our children, and we are moving in the right direction.

Now we must do the same with math. I have said we need a math initiative and I appreciate the support I have received from teachers as well as the private sector.

This summer, I intend to establish a math academy in a partnership between my office, the State Department of Education and private industry. The effort will focus on both content development and professional development of teachers in the middle grades 5 thru 8.

The academy will help our students develop the math skills we need to keep Idaho competitive in the 21st century.

We must also set high standards for our teachers and our students. My budget contains funds to stay on track to reach our assessment and accountability standards in 2005.

This is the number one priority for our State Board of Education and it has the support of House Education Committee Chairman Tilman and Senate Education Chairman Schroeder.

My budget also includes funding to continue the tremendous success of the Promise Scholarships -- \$500 per year for every Idaho high school graduate with a 'B' average or better to attend an Idaho college or university.

We have seen enrollment rise in all of our colleges and universities and in the fall of 2001 alone, over 5,000 students went to college in Idaho with the help of this scholarship.

With regards to school facilities, we're taking action to meet long-standing needs. Last year, you approved HB 315 which dedicated state funds for interest payments of plant facility levies. I believe we need to extend the current school facilities program for one more year.

School bond election results have proven the plan works. Local voters are willing to do their part to address unsafe and unhealthy schools with some help from the state.

Just take a look at Troy, Wendell, Minidoka, Fremont and Wallace school districts...with a \$10 million state investment for interest payments, these local districts have been able to pass bonds and leverage nearly \$40 million to address building safety needs.

And, for the future, I have had discussions with Senator Deide and Representative Denney about a package of proposals that gives us a path forward. We have an agreement in principle and are now working out details.

It will allow the state to continue to help with interest payments. It will also provide that districts keep up with maintenance on the buildings over time. And, it will allow us to close unsafe schools until conditions are sufficiently improved for the safety of our children.

It also renews the request to let voters decide whether to amend the Idaho constitution to support a 60% supermajority vote on school bond elections if they occur only during consolidated elections in May or November.

It's time to solve this problem. Let's get the courts out of the business of determining what's best for our schools and our children

And, speaking of courts, I mentioned children's mental health and the Jeff D. Lawsuit. I would like to commend Lt. Governor Jack Riggs and the members of the Idaho Council on Children's Mental Health for a milestone year in addressing this very important issue. We are on track to complete all court mandated action points.

We have now published a first ever Parents' Guide to Children's Mental Health; we've hosted the first ever Idaho Children's Mental Health Conference; and we're establishing a new system of seven regional councils with secondary local councils.

We've created a network for mental health professionals, parents and advocates to come together to share ideas and to strengthen the safety net for our children.

Now is the time to end the litigation that has surrounded this issue for more than 20 years.

We are doing what is right for our children.

Our Governor's Coordinating Council for Families and Children that I appointed in April 2000 continues to build community collaborations that promote the well being of the families and children in Idaho. This group of statewide volunteers is addressing issues related to substance abuse, healthy lifestyle choices and early learning.

What about immunizations?

When we first tackled this, our seven health districts could not communicate electronically. We started from scratch and today the Immunization Reminder Information System (IRIS) is in place.

Now health districts, hospitals and doctors' offices throughout the state can access IRIS. It is strictly a voluntary program and the system provides for the utmost security and privacy for the individual.

Today, more than one million vaccinations have been recorded.

As you know, I set a goal of reaching a 90% immunization rate for Idaho children under the age of 3. Today, for the first three series of shots, Idaho's rate is above 90%. By the time children enter school, the rate is approximately 95%.

Our immunization rate is still too low for the 4th series, but it's rising.

It is important to note that Idaho was one of only 10 states to improve this rate and the Centers for Disease Control has commended our efforts.

You are all very familiar with the Children's Health Insurance Program. In three years, we've seen a three-fold increase in the number insured. We're also aware of the associated consequences of the Medicaid rolls rising.

Virtually every state is experiencing the same dilemma and hopefully a state/federal solution can be found to keep costs down while still providing care to children who are in need.

For too long, Medicaid expenditures have been allowed to grow unchecked. In fact, according to a survey by the National Association of State Budget Officers, Idaho has one of the fastest growing Medicaid budgets in the United States.

For twenty years, there have been no significant modifications or reforms to rein in Medicaid spending. It's time to recognize that the success of our social services is not measured in the quantity of dollars that we spend, but in the quality of care we provide.

Over the past several months I have reviewed with Director Karl Kurtz and considered different options to help slow growth in our Medicaid program. The course I have chosen is pro-active.

My plan, as you will see on Wednesday, will give the Department of Health and Welfare the tools to become more efficient Medicaid managers. The key is to slow the explosive rate of growth.

We will continue to show that the education of our children is our top priority. Over the last three years, we've approved historic funding levels for both public schools and higher education.

For the first time, we appropriated funds for salary equity of 2% for faculty at our colleges and universities. This was a critical step in recruiting and retaining the best and the brightest at our colleges and universities.

We have shown our public school teachers that we also value and appreciate what they do by designating minimum teacher salaries and we've provided incentives for those that become nationally certified: \$2,000 each year for five years after they achieve certification.

Now, we're 13th in the nation and Idaho now has more board certified teachers than any other western state except California. What a great accomplishment for Idaho.

Our innovative grant program continues to encourage our teachers to find new and exciting ways to challenge their students. Since you approved the program in 1999, I have awarded grants to 537 classrooms, totaling well over a quarter of a million dollars.

We received letters from grateful teachers like Darla Sargent, a third grade teacher from Burton Elementary School in Rexburg. She wrote, "I was able to implement hands-on science, math, and language arts projects in my learning centers. [The Innovative Grant] has truly enriched my students' educational experience."

We are giving our teachers the tools they need to prepare these bright young minds for the future.

We have just talked about these tremendous resources.

Now, let's focus on one of the most serious threats to our children, our families and our communities.

Substance abuse ruins lives. It leads to neglected children, increased domestic violence and lost worker productivity.

Last year, Idaho embarked upon a new mission. All three branches of government partnered and Idaho became nationally recognized for its forward-thinking and innovative approach to this most difficult challenge.

We are now aggressively attacking both supply and demand.

You all know that I have targeted methamphetamine as the most dangerous drug today in Idaho. It's cheap, it's easy to make and it's highly addictive.

I signed into law tough prison sentences for those who manufacture and traffic methamphetamine. We've added 22 commissioned officers to the Idaho State Police during the last 3 years and significantly enhanced their equipment and training. We have also increased the necessary financial resources. This legislature is to be commended for your actions.

Working together, we are winning this battle. The team approach involving Idaho State Police, local police chiefs, county sheriffs, the U.S. Attorney's office, DEA and the FBI has been seamless.

The majority of the methamphetamine in Idaho comes from outside our borders, including Mexico, and it poses a serious threat.

Working with our excellent partners in the U.S. Attorney's office and DEA, the Idaho State Police has taken the lead in pursuing those who peddle this poison.

With our Federal partners, during the last 12 months, over 100 individuals have been indicted. These indictments go directly into one of the largest and most violent international drug organizations anywhere.

Some of the individuals indicted are charged with ordering and carrying out executions in Idaho. Make no mistake, this is deadly serious.

I have had discussions about this issue with the new President of Mexico, Vicente Fox, both in his office in Mexico City and here in Idaho. He and his administration share our zero tolerance approach.

I have also met with Asa Hutchinson, the Administrator of the Federal Drug Enforcement Agency. He applauds Idaho's effort and has pledged his full partnership in this fight.

The Idaho State Police are on the front lines, fighting this war on drugs. My continued message to them is: Don't let up for a moment. And thank you for a job well done.

But controlling the supply of drugs is not enough and will never yield the results we need. As I visit our correctional facilities, I continually encounter men and women whose lives have been severely damaged by drug abuse.

Drug addiction creates a vicious cycle of crime and contributes to today's revolving door of the justice system. As we work to break this cycle we must also provide the resources to attack the demand for drugs.

We have made major investments in adult and juvenile substance abuse treatment and education programs - both in prison and in our communities.

We are also well on our way to establishing drug courts in every judicial district in the state. I want to congratulate the judiciary for all of the hard work that has taken place over the last year to provide a framework for drug court implementation.

We are finally on a path to expand treatment options for adults and juveniles who need access to these programs. We must continue our investment in drug treatment and education programs.

I am confident that under the leadership of the new Corrections Director, Tom Beauclair we will be successful.

We recently opened a 100-bed Parole Release Center. At this center, each and every inmate will receive intensive substance abuse and education programming.

I met with the inmates. Many told me this was their 5th or 6th time in prison.

With the treatment offered at this center, these men - for the first time - will receive the help they need to stay out of prison.

We're finally giving them a chance to succeed.

We are also making gains in the area of corrections education. In a few weeks, 120 inmates will attend a graduation ceremony in the prison to receive their GED's. This is the largest group ever.

Isn't this the direction we should be going?

I appreciate Chairman Darrington and Chairman Gould and their committees' help and support.

Now, let's stop the revolving door.

Frequently, inmates leaving prison have few resources or safety nets outside of the prison walls. It's too easy for them to return to a life of crime.

That's why I will be proposing an investment in transition or halfway house type programs. This investment will help us fill a gap in our substance abuse continuum.

But we cannot only focus our efforts on those adults who are in prison. To be successful in the long-term, we need to focus on our children and young people.

While we work to give our children opportunities for success, there are kids who have made poor decisions and now find themselves in trouble. We don't write them off. We search for ways to put these young people onto the right path.

I was recently in St. Anthony and had a chance to visit the juvenile corrections facility.

It was shocking to hear from these kids about their lives and what brought them to the state's custody. Each one that I talked with had been abused and few had functional homes they could return to.

They have tremendous needs - physical, emotional and spiritual.

Our challenge is to meet their needs without institutionalizing them, while still keeping our communities safe.

Under the able leadership of Director Brent Reinke, the Department of Juvenile Corrections is meeting the challenge through such things as:

- Implementing a Faith and Justice Network to include community-based faith organizations.

- Regionalizing its programs so that kids in the state's custody can be close to their families.
- And, putting into action the recommendations of the Council on Children's Mental Health.

But we need to do more. Many young people in the state's custody have been in the system 3 or 4 times. Or they have been in custody for years because there is no place for them to go upon release. We have a family of four brothers in custody today that have already cost the state more than half-a-million dollars.

But it is not just a financial cost. It is a cost to society.

Doing nothing is not an option. If we do nothing, we have determined the future of these kids - and most likely, their next stop is the adult correction system. And who will be the victims in their wake? We must stop the cycle.

I have directed the Department of Juvenile Corrections to work with counties to establish a family-based program called Functional Family Therapy.

We already provide counseling for the youth behind bars. Now, we will expand that to embrace and support the families, so as a family, they can work through their challenges together. After all, this is where these kids belong - with their families - not with the state.

Now, before I leave the area of public safety, let's discuss the impacts of the terrorist attacks on America.

In all 44 counties, an emergency evaluation was conducted as required by the Federal Emergency Management Agency. A number of potential targets were identified based upon guidelines from the White House and federal agencies. The private sector has conducted similar evaluations. As a result, there is heightened security at a number of public and private installations across the state such as nuclear facilities, energy plants, fuel supply and storage depots, ports of entry, airports, hazardous material carriers, and government buildings such as the Capitol Complex.

The actions I took in those early days were based upon the recommendations of the Adjutant General of the National Guard and the Director of the Idaho State Police. Some have questioned my decision to implement the recommendations. Some have suggested this was a bad political decision.

Let's examine that for a moment. Does anyone here tonight believe that General Kane, with his 40 years of service in the military of the United States or that Director Strickfaden with his 34 years in law enforcement, took the information they received from the White House, the Pentagon, the FBI and other intelligence agencies and then

determined what was good politically? Or, do you think these professionals determined what was necessary to take adequate precautions to protect lives?

Please remember, President Bush believes there will be more innocent citizens murdered by terrorists somewhere in these United States in the future.

While some may not consider this decision good for me politically, it was not a political decision at all.

As we confronted the staggering consequences of this attack on America, I received the recommendations from the General and the Director who stated emphatically that they felt certain measures were necessary to potentially save lives of citizens.

I believe Idahoans want the kind of leader who weighs that kind of serious information and makes the tough decisions. When I was deciding on what course of action I should take, i didn't take a poll. I did say a prayer.

I will not play political games with the lives of the citizens I serve. As Harry Truman said, "The buck stops here" and it does.

We have classified information from the military and federal law enforcement agencies that at this time, no one can make public. I hope and believe that the day will arrive when this information can be released.

I will continue to work with state law enforcement and the National Guard and their federal counterparts to evaluate and decide on appropriate actions that are necessary. And, believe me, no one will be happier to see barriers removed than me...but I won't do it prematurely. As I've said before, I can always remove barriers, but I cannot restore lives lost.

There's a saying we've all seen countless times following the tragedy of September 11th and throughout the fight against terrorism. The phrase is, "United We Stand." For those who believe it and practice it, I thank you.

And I say thank you to the many veterans who over the years have fought to defend our freedoms.

They have served and defended this nation against the enemies of freedom in times past. Now, as they grow in age and wisdom, it falls to this generation to ensure their well-being and their quality of life.

In November, I was pleased to appoint Richard Jones as the new Administrator of the Division of Veterans Services. Richard's extensive experience as an administrator, his understanding of the needs of our veterans and his own military background make him an excellent choice to head up Veterans Services.

I also look forward to working with our Veterans as we move forward on our plans to establish a final resting place of honor for these patriots.

We must also look out for and protect individual rights and freedoms. Regardless of race, religion or nationality, we must protect the rights of our fellow citizens and residents of Idaho.

In the past, some groups that promote racism and hatred have located here in Idaho. WE STOOD UP TO THEM, AND WE WON.

With the vision of individuals like Greg Carr and the courage of a jury in Coeur d'Alene and attorneys like Ken Howard and Norm Gissel, we were able to say goodbye to that group of hate mongers. As their former compound was burned to the ground, it was a signal to the world that Idaho will not tolerate hatred...not now... Not ever.

Last year, we passed legislation adopting a farm workers' minimum wage. I appreciate the work of the House Agriculture and the Senate Commerce committees. When I signed the bill in Wilder, the farm workers who assembled to watch that signing were so grateful and appreciative. This year we want to ensure that they get the wages they have been promised.

That is why it is essential that we adopt standards for farm labor contractor licensing. Such legislation will benefit farmers, contractors and farm workers.

I'd like to thank Chairman Andreason and Chairman Jones for their efforts in this important area.

Following through with this effort will again show the world that Idaho is a place that promotes freedom and equality.

When I ran for Governor, I pledged to make sure that Idaho is a place where we can continue to benefit from clean air and water and enjoy our many recreational opportunities.

Let me first report on the status of a long-standing environmental controversy. It has been over thirty years since the federal government promised that plutonium-contaminated waste buried at the INEEL would be removed. And it has been nearly ten years since the federal Department of Energy promised to begin waste retrieval. To date, DOE has failed to honor its promise.

My fellow Idahoans, I want to be very clear on this point ... the federal government must recognize its obligations to remove this buried waste from Idaho and start implementing the agreements reached with Governor Andrus and Governor Batt. Until it does, I will vigorously oppose any shipment of DOE-spent nuclear fuel into Idaho.

Idaho has never been a federally designated waste repository, and never will be as long as I'm Governor.

On another front, the Department of Environmental Quality, under the leadership of Steve Allred, has played an important role on several key issues including the Coeur d'Alene Basin clean up. Let me emphasize that we do not have a public health emergency in the Coeur d'Alene Basin.

In November, I testified at an EPA hearing in the Silver Valley. My comments were reported in the state and local media, and even in the New York Times. I told EPA that I am so frustrated with them that I am on the verge of inviting them to leave the state of Idaho.

I am convinced that the good people of Idaho have the ability and the dedication to finish our proposed 30-year public works project in our state if EPA will just step aside. Idaho has crafted a solid solution for cleanup of the Basin, which has the support of the Tribe, the mining companies and the state.

Back in December of 2000, a Federal Judge even urged us to settle this matter out of court. And where are we now? In court.

I submit to you, just as I did to EPA, the state solution is the right solution. It's doable and it's affordable.

Let's stop paying lawyers in the courtrooms and start paying cleanup crews on the ground.

We will soon be filing comments to EPA's plan. EPA, please take note:

I will not accept a clean up plan that is not based on common sense.

I will not allow uncontrolled federal bureaucrats to define what is in the best interests of Idahoans.

And, I will not allow lake Coeur d'Alene, one of the nation's greatest treasures, to be included in any superfund site.

Another challenge that immediately confronted me when I took office was the issue of salmon recovery.

From the beginning, I have been convinced that one of the keys to protecting Idaho's interest in salmon recovery is to reach across state and party lines. This approach has proved successful through the Four Governors' Recommendations on Salmon Recovery.

This was the first time that the states of Idaho, Montana, Washington and Oregon had come together on a common approach that acknowledged that the only way to progress on real recovery is with a partnership between the states and the federal government.

Now, the key is to fully implement the federal Salmon Recovery Plan which mirrors the Four Governor's recommendations. In a year with record salmon returns, now, more than ever, I am convinced that we can get the job done without breaching dams and without wasting precious Idaho water.

Two sessions ago, you passed and I signed into law, legislation creating the Office of Species Conservation. The intent behind the creation of this office was not to build bigger government, but to give Idaho a fighting chance against the impact of the federal Endangered Species Act on our people.

With OSC, we now have a vehicle to promote Idaho solutions to Idaho problems. I am pleased to say this legislation was a success.

Under the leadership of Administrator Jim Caswell, OSC has received more than \$10 million dollars of federal and non-federal funding for various projects for salmon and resident fish recovery efforts.

And what did we do with that money? We put water back in streams that have been dry for years. Removed barriers and installed screens to save fish. And secured an historic minimum streamflow agreement that has the support of the Lemhi water users.

The result is a tangible benefit, and shows that we are doing our part for fish recovery.

OSC is driving the delisting of the Canadian Gray Wolf. Also, Idaho has formed its first Delisting Advisory Team for the Yellowstone Grizzly Bear population.

You will have the opportunity to consider these two management plans in the coming months.

I urge you to remember that these two plans get us one step closer to delisting the wolf and the grizzly bear and two steps closer to getting the federal government out of our backyard.

It is imperative that Idaho manage these existing species.

And I will continue to strongly oppose any grizzly bears being imported into our state.

I'm pleased with the cooperative spirit I'm receiving from the U.S. Department of the Interior and Secretary Norton.

I want to recognize Idaho's Congressional Delegation, which is second to none, and thank them for their continued assistance as Idaho tackles these important federal issues.

I recently announced my Pheasant and Quail Initiative that is designed to improve the habitat of these birds. This initiative began at my conference table in a collaborative discussion with Fish and Game, Department of Environmental Quality, Water Resources, the Soil Conservation Commission, Department of Ag, and OSC.

We are taking aggressive measures that will ensure that these species, and others, stay off the federal endangered species list. I appreciate Fish and Game Director Rod Sando's help in these issues.

I was pleased to proclaim the last Saturday of each September as Jack Hemingway Conservation Day, an opportunity for all Idahoans to remember one of our state's most devoted sportsman and protector of our natural beauty and heritage.

Now, on the topic of water, let me speak for a minute about the Department of Water Resources and the tremendous job they are doing with our nationally recognized model to protect state water rights, the Snake River Basin Adjudication.

In the beginning, there were 143,000 water rights in question. Director Karl Dreher has resolved more than 80 percent of these. They are on track to complete their work by 2005.

You may recall that the conflict between the holders of surface water rights and ground water rights peaked several months ago during one of the worst drought years on record.

The resolution of this controversial matter began with a discussion I had with the water users and the Department of Water Resources. I directed Water Resources to work with these groups to solve the problem.

A series of agreements are now in place.

Now, I will take the next step in fulfilling these agreements by recommending funding for the Eastern Snake Plain Aquifer Model as a part of my 2003 budget.

Last session, when I signed legislation reauthorizing the 427 thousand acre-feet of water for salmon flow augmentation, I made it clear that I was losing my patience with the lack of progress being made in this area.

Idaho water should not be used for something that has yet to be scientifically proven and could jeopardize the economy of Southeast Idaho.

As was stated in our Four Governors' Recommendation for Salmon Recovery, there must be a scientifically defensible study that documents the specific benefits of flow augmentation. I have yet to see such a study.

Therefore, unless it has the support of our water community, I will be reluctant to reauthorize the 427 thousand acre-feet for flow augmentation.

Not a single drop of Idaho water should ever be wasted.

Now let's talk about air.

Idaho has a long and rich agricultural heritage. I am mindful of the beneficial contributions of blue grass seed production, but I also understand the air quality concerns caused by that production.

However, while the status quo is unacceptable, the harsh alternative of forcing farmers out of business is also unacceptable. That is why several months ago I directed my administration to begin an aggressive effort to find an innovative, economical and environmentally acceptable solution to grass field burning in northern Idaho.

I have directed the Department of Agriculture to partner with the University of Idaho, and private industry to develop a balanced solution. And you will note, in my budget, this is one area where there are no reductions and, in fact, we're dedicating additional resources.

Now, I'd like to talk about rural economic development. A few months ago, there was extensive media coverage on the plight of rural Idaho. But, what is significant is that we didn't have to react to the reports. We didn't wait for the economy to turn down before we took action. We were out in front and the initiatives that you supported are now in place.

We now have twelve regional economic development specialists living and working in the following counties: Boundary; Shoshone; Clearwater; Idaho and Lewis; Adams and Washington; Boise and Gem; Payette; Valley; Gooding, Lincoln and Jerome; Bear Lake, Caribou, Franklin and Oneida; Custer and Lemhi; Fremont and Clark.

They are assisting rural communities to diversify and strengthen their economies by attracting new businesses and maintaining those already in place.

You also supported my request for \$3 million for rural community block grants for local jurisdictions that require no local match...why no match? Because in many cases, they don't have the money. This funding was intended to create hundreds of jobs in some of our more rural, distressed areas.

Where did we put this money?

\$500,000 went to St. Anthony for ML Technologies, a truly dynamic company now located on Main Street in this wonderful community. With this grant, we anticipate another 100 jobs for St. Anthony.

The reality is, St. Anthony is now going to have a parking problem in the heart of downtown and they're thrilled to have this problem.

We have used these funds to help TSI locate in Jerome, which looks terrific after their downtown renewal project. And, TSI has located another call center in Smelterville in the Silver Valley.

Let me mention Dell Computer. I received a call from the Twin Falls economic Development Team, asking if I could help with attracting Dell to the Magic Valley. I met the next day in my office with the Twin Falls team and Charlie Ball from Dell.

I then called Larry Johnston, the CEO of Albertsons and asked him to work with the State and Twin Falls regarding their soon to be vacated store on Blue Lakes Boulevard.

Mr. Johnston and his real estate division agreed to work with us.

That's the sort of cooperation that helps our communities. That's the sort of corporation that makes Idaho a great place.

Because Dell, a Fortune 50 company, has decided to locate in Twin Falls, Idaho will now be considered by other prestigious corporations when they are planning for relocation or expansion.

And then there is Micron Technology. They recently opened their new R&D facility that will bring 200 new jobs to the Treasure Valley. This \$200 million investment could have been built anywhere in the country, yet they chose Idaho. Why?

They'll tell you it's because of our positive business climate and tax structure, including our new R&D tax credits, that favor free enterprise. We've told businesses that if you'll bring high tech capabilities like broadband to our rural areas, we'll make it worth your while.

In fact, our Broadband Investment Tax Credit has made it feasible for one group of telephone companies - Syringa Networks - to proceed with their \$35 million, 1,400-mile fiber optic network connecting all of southern Idaho.

I'm proud of what we've accomplished on tax relief in the past three years. I've signed 36 tax measures that have either provided significant tax relief or tax credits. In those same three years, we have had no tax increases. We're 36 and 0 and that's a pretty good record.

Together, we have enhanced our tax structure to benefit all Idahoans...we have eliminated the marriage tax penalty and reduced the individual income tax rates. We have reduced the corporate tax rates and created a series of tax credits that are stimulating our economy.

We took the best investment tax credit in the nation and we've made it better. Specifically, we added additional incentives for businesses that bring jobs to areas with high unemployment or low personal income...in Idaho, those are the rural areas.

But, in rural Idaho, we are still an agricultural state. Unless agriculture prospers, rural Idaho will continue to struggle. And so, we gave our farmers and ranchers a boost by passing a permanent reduction in personal property tax for farm machinery and equipment.

It's a measure that I believe has helped a number of our family farms to stay viable. The total relief amounts to more than \$13 million. That's \$13 million that our farmers will spend on feed and fertilizer. That's \$13 million that they'll spend in our rural communities.

Another significant boost for rural Idaho came from one of Idaho's existing corporate partners. Anheuser-Busch is a world class company and I was pleased to meet with August Busch, their highly successful CEO, on different occasions in my office. Those discussions and others he held in eastern Idaho ultimately led to the decision by Anheuser-Busch to double their barley malting facility in eastern Idaho.

The expansion will impact over 70-thousand acres of Idaho farmland and could potentially add \$25 million annually in barley sales to the local economies. We're talking about a high value cash crop that also makes an excellent rotation crop with potatoes. This is a win for Idaho agriculture and a win for our rural communities.

While I was in Idaho Falls for the announcement, one of the growers in the area commented on the significance of the deal. He said, "That tax cut for farm equipment is a home run. This announcement with Anheuser-Busch is a grand slam."

How would you like to have another grand slam?

On a trade mission to Mexico, we had a reception at the U.S. Ambassador's residence. During the reception, Ambassador Jeffrey Davidow came to me and said that someone wanted to speak to me in private.

The gentleman was Mario Zenteno, who, for 30 years, has represented Modelo brewery. It is a corporation that, like Anheuser-Busch, is world class. They produce Corona, Negra Modelo, and Pacifico beers. He explained that they were looking for a location for a barley malting facility and were seriously considering Canada. Knowing of the successful operation of Anheuser-Busch in Idaho, he asked if I would consider exploring an opportunity for them to locate in Idaho.

I expressed immediate interest and the next meeting was in my office with Mr. Zenteno, Gary Mahn from the State Department of Commerce, and Pat Takasugi from the State Department of Agriculture.

Many meetings and many discussions with grain producers and local Idaho Falls officials followed.

Tonight, I am pleased to make a very special announcement.

Modelo will build a \$64 million malting facility next door to Anheuser-Busch. When completed, the Modelo plant will contract to buy another 60-thousand acres of Idaho barley. This is a real testament to the quality of Idaho farm commodities. A lot of good people worked very hard to make these projects a reality. For Idaho agriculture, this is truly another grand slam.

We used the tax incentives, workforce development funds, and our efforts in international trade to help our citizens...and, it's working.

The greatest initiative we can take for the new budget in light of the lack of money is to keep all our current initiatives in place.

We must now stay the course. We are ahead of the curve and the economic development tools that we've put into play are key factors that are persuading companies like Anheuser-Busch, Modelo, Micron, Dell, TSI, ML Technologies, and Syringa Networks to expand in Idaho. In a down economy, our tax structure not only allows businesses to survive, but thrive.

I referenced Thomas Paine before when he said that "these are the times that try men's souls"...also referring to the Revolution, he said, "The summer soldier and the sunshine patriot will, in this crisis, shrink from the service of their country; but he that stands it now, deserves the love and thanks of man and woman."

We have stood together in times of sunshine - in times of peace and economic prosperity. Now, in difficult times, if we stand together to confront our challenges and make the difficult decisions that must be made, we will show the true nature of our character and our resolve to do good by our people. That will merit the love and thanks of every Idahoan.

Thank you and may God bless Idaho...and God bless America.